

Message Text

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PAGE 01 BUENOS 04149 192232Z

62/46

ACTION ARA-10

INFO OCT-01 ISO-00 JUSE-00 FTC-01 AID-05 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 TAR-01 L-03 H-02 IO-10 DOTE-00

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FM AMEMBASSY BUENOS AIRES

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C O R R E C T E D C O P Y -- PARA FOUR --

DEPT PASS COMMERCE AND TREASURY

E.O. 11652: N/A

TAGS: EIND, EFIN, AR

SUBJ: GOA AGREEMENT WITH AUTO INDUSTRY; MRS. PERON ON MULTI-
NATIONALS

REF: BA 4098

1. IN CEREMONY AT CASA ROSADA JUNE 18, AGREEMENT BETWEEN GOA
AND FOREIGN AUTOMOTIVE INDUSTRY WAS SIGNED BY ECONOMY MINISTER
RODRIGO AND INDUSTRY REPS. PRESIDENT ISABEL PERON, WHO PRE-
SIDED OVER CEREMONY, THEN SIGNED IMPLEMENTING DECREES.

2. TEXT OF AGREEMENT AND DECREE OF APPROVAL NOT NET AVAILABLE
BUT AGREEMENT GOES FURTHER THAN DESCRIBED REFTTEL, SINCE FIRMS
HAVE AGREED POSTPONE NOT ONLY DEBT PAYMENTS, BUT ALL FOREIGN
EXHCANGE REMITTANCES, INCLUDING THOSE FOR PAYMENT OF PROFITS,
IMPORTED RAW MATERIALS AND COMPONENTS. COPIES OF AGREEMENT AND
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PAGE 02 BUENOS 04149 192232Z

DECREES WILL BE FORWARDED AS SOON AS AVAILABLE.

3. IN ADDRESS PRIOR TO SIGNING--ON ARGENTINE NATIONAL TV AND RADIO--RODRIGO DESCRIBED CRITICAL SITUATION RECENTLY FACED BY AUTO INDUSTRY AND EMPHASIZED ITS IMPORTANCE TO ARGENTINA. HE NOTED THAT THE INDUSTRY, EMPLOYING 233,000 REPRESENTED TEN PERCENT OF THE GROSS PRODUCT OF ARGENTINE MANUFACTURING AND OVER FOUR PERCENT OF GNP. HE ALSO EMPHASIZED THE EXPORT POTENTIAL OF THE INDUSTRY. THE IMPORTANCE OF THE AGREEMENT, RODRIGO SAID, WAS NOT ONLY BECAUSE OF THE SAVINGS OF FOREIGN EXCHANGE FOR THE GOVERNMENT, BUT IN THE REAFFIRMATION OF THE COMMITMENT OF MAJOR FOREIGN MULTINATIONAL CORPORATIONS TO THEIR ARGENTINE INVESTMENT. THE AGREEMENT GAVE AN EXAMPLE OF TECHNICAL AND INDUSTRIAL COOPERATION BETWEEN THE GOVERNMENT AND TRANS-NATIONAL INDUSTRY. RODRIGO NOTED IN THIS CONNECTION THAT SUCH FREE NEGOTIATION OF AGREEMENTS REFLECTED THE RULE OF LAW IN ARGENTINA, A COUNTRY OF DEMOCRATIC CONVICTIONS WITH A CONSTITUTIONALLY ELECTED GOVERNMENT.

4. MRS. PERON'S SPEECH, WHICH FOLLOWED THE SIGNING, WAS EQUALLY MEASURED AND CONSTRUCTIVE. (LOPEZ REGA, AS DEPT AWARE, IS AWAY FROM ARGENTINA). MULTINATIONAL CORPORATIONS, SHE SAID, SUCH AS THE AUTOMOTIVE FIRMS, WERE ESTABLISHED IN ARGENTINA AND LIKE DOMESTIC FIRMS, OPERATED WITHIN AND UNDER THE PROTECTION OF ARGENTINE LAW. WHILE NOTING ARGENTINA'S PARTICIPATION IN THE UN AND OAS ON A CODE OF CONDUCT FOR MNC'S, SHE SAID THAT ALL ARGENTINA SHOULD CONGRATULATE ITSELF ON THE FRUITFUL CO-EXISTENCE OF MNC'S WITH DOMESTIC INDUSTRY. MNC'S ARE A REALITY OF ARGENTINE ECONOMY, GIVING EMPLOYMENT TO ARGENTINE TECHNICIANS AND WORKERS, TRAINING HIGH QUALITY MANAGEMENT AND LABOR. BETWEEN THE POSSIBILITY OF MNC'S LEAVING ARGENTINA, AND ECONOMIC CO-EXISTENCE OF BOTH DOMESTIC AND FOREIGN FIRMS, THE OPTION IS CLEAR, THE PRESIDENT SAID. ARGENTINA NEEDS CAPITAL, TECHNOLOGY AND DYNAMIC AND DECISIVE MANAGEMENT. AGREEMENTS SUCH AS THE ONE SIGNED TODAY, SHE CONCLUDED, ESTABLISHED THE BASIS FOR AN ECONOMIC POLICY WHICH WILL "DIRECT US TO BECOMING A POWER IN WORLD PRODUCTION". THE EXPORT POTENTIAL WHICH THE AUTOMOTIVE INDUSTRY HAS SHOWN IN THE PAST, IF PRICES ARE REASONABLE, WILL NOT ONLY CONTRIBUTE TO OUR BALANCE OF PAYMENTS BUT STRESSES THE IMPORTANCE OF COLLABORATION.

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PAGE 03 BUENOS 04149 192232Z

5. COMMENT: AUTO INDUSTRY REPS, BUSINESSMEN AND BANKERS, FROM WHOM EMBASSY HAS SO FAR HAD FIRST-HAND REACTONS, ARE ASTONISHED, TO SAY THE LEAST, AT MRS. PERON'S REMARKS ABOUT MNC'S, AND BY INFERENCE ABOUT FOREIGN CAPITAL. THIS IS A MAJOR SWITCH IN PUBLIC RPT PUBLIC ATTITUDES BUT NOT INCONSISTENT WITH THE MEASURES TAKEN SO FAR BY MIN OF ECON RODRIGO TOWARDS FREEING THE ECONOMY. EMBASSY ASSUMES, AS INDICATED

REFTEL, THAT MAIN OBJECTIVE OF THIS CEREMONY AND SPEECHES WAS TO UNDERSCORE NEW LINE PRESENT ECONOMIC TEAM IS TAKING AND ALSO TO HELP ESTABLISH BETTER IMAGE ABROAD OF ARGENTINAS POLICIES. ALTHOUGH MUCH HAS BEEN MADE OF CHANGES IN ARGENTINA'S FOREIGN INVESTMENT LAW, NO MENTION OF SUCH CHANGES WAS MADE THIS MORNING.

6. US AUTO INDUSTRY HERE FINDS THE AGREEMENT ACCEPTABLE BUT UNDERSTANDABLY IS NOT ENTHUSIASTIC. EMBASSY HAS HEARD THAT US COMPANY HEADQUARTERS WERE MORE FAVORABLE TOWARDS THE AGREEMENT THAN LOCAL MANAGERS, LOOKING AT THEIR ARGENTINE INTERESTS FROM A LONGER-RANGE VIEWPOINT.
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